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JUL 27 1981

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Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c) (3) of the Internal Revenue Code of 1954.

The information discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

You refer to yourself also by your acronym the [REDACTED]. Your Board of Directors is comprised of [REDACTED], founders of the organization.

Your "Certificate of Purpose" states that you were organized to establish a religious society whose doctrines and principles are founded on the biblical golden rule concepts and whose members are willing to demonstrate their adherence to them "by their works" in thought and deed, and who will band together for mutual aid and security. You will teach and demonstrate the principles of personal and group welfare and survival, improve needed skills, and help provide shelter, food, tools and equipment necessary for their well being and survival, thereby lessening the burdens of government. You will restore and conserve the flora, fauna, land, air and water back to their primitive conditions, through scientific research and restorative implementation, and to teach these principles to all who will listen. The certificate also states that you are dedicated to the above-stated objectives but not limited to them.

To accomplish these purposes, you have leased a [REDACTED] acre ranch with a private lake, game refuge, wilderness area, and buildings in which to hold your meetings. You plan to be fully organized and functioning in five years. Your goal is complete autonomy through cultivation of the

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname							
Date							

[REDACTED]

ground and storage. Any excess above your needs will be sold to the public to raise funds for needed services and products such as vegetables, wood, survival gear, clothing, etc.

Your conservation plans are to plant all kinds of trees, shrubs, herbs, grasses, etc. both food and non-food species, to eliminate erosion of the land, and conserve moisture. You will dig ponds for fish and water fowl and for animal use. You will also establish a game refuge to protect existing species and enlarge the animal and bird life in the refuge. You will experiment with different uses to which your land may be put with the help of the County agent.

Your religious activities will be comprised of weekly worship services and regular classes in religious education courses.

In [REDACTED], you will start construction on a large central building to shelter the members. The building will be designed as a church building but will have multi-purpose use to serve all the needs of the Society. A swimming pool has already been dug. You will make and sell leather goods, jewelry, decorations, painting, Indian items, survival tools, surplus tools, books, manuals and other printed materials, etc. You will hold numerous drives, parties, seminars, and projects to secure memberships and needed funds and items.

Your goal is to be ultimately self-sufficient; however, in the beginning you will need donations. You will put all excess contributions into a permanent endowment fund program.

Membership in the Society shall be by recommendation by the members subject to the approval by the membership committee and/or Board of Directors. Each approved member becomes a temporary member during the first year at the end of which he is voted on by the membership committee (1) into permanent membership, (2) to be placed on probation, or (3) to be voted out, with membership money returned (minus the sales commission already paid) with the understanding that he must wait until his membership is sold to the next qualified person on the waiting list. The members must also pay annual dues to support the Society's activities. The membership fees are \$[REDACTED] per member lifetime fee, whether or not one resides on the land. The members of the Society can have their choice of living on the ranch or at their own homes, but it is believed that it will be about 50-50%. You state that you will prepare the place so that all could live there, especially during times when all the help is needed. Everyone is expected to spend enough time to fulfill

[REDACTED]

the duties assigned them and to receive the training and instructions they need for their duties.

The entire land, known as the [REDACTED], has been leased from [REDACTED], with \$[REDACTED] to be paid on [REDACTED], and \$[REDACTED] to be paid on [REDACTED], with an option of renewal for [REDACTED] years more. Excluded from the lease are approximately [REDACTED] acres of land, including [REDACTED] houses and yards, and [REDACTED] acres used as Indian ceremonial grounds.

[REDACTED] does recreational business with the general public, furnishing water sports, horse sports, gunnery, mountaineering and miscellaneous outdoor recreational activities, as well as grazing its horses and cattle. [REDACTED] are the President and Secretary of [REDACTED] and also President and Secretary of [REDACTED]. They live in one of the three houses mentioned above and rent out the other two. Both [REDACTED] and [REDACTED], Vice President of [REDACTED], have missionary experience. [REDACTED] is presently a gunsmith and ordained minister, and [REDACTED], a minister-missionary.

Under the terms of the lease agreement with the lessor, [REDACTED], the maintenance of all fences, springs, roads, corrals, building, and anything else covered in the lease, are to be done at the expense of the lessee. The lessee is also to buy sufficient fire, theft, and liability insurance for all the assets leased and absolve the lessor of any liability or damage.

Submitted with the application for exemption is a copy of another "Agreement and Contract" which states that it is "by and between the [REDACTED], hereinafter known as [REDACTED] and [REDACTED], hereinafter known as [REDACTED]." The Agreement authorizes [REDACTED] to solicit and raise money, etc. in the name of and on behalf of [REDACTED]. [REDACTED], in order to establish a perpetual endowment fund and to compensate [REDACTED], will loan back to [REDACTED] one half of all the money, stocks, bonds, personal goods and real estate, etc. that it raises as donations, and any other money that may be available, to have and use as it sees fit. [REDACTED] will pay annually interest at [REDACTED]%. The loan is repayable after the 5th year upon demand with 60 days' notice. If the demand for repayment is made before the 5 years have elapsed, [REDACTED] will retain [REDACTED]% of all the money, etc. raised by [REDACTED] for the Society.

[REDACTED]

Section 501(c)(3) of the Code provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations defines the term "charitable" as including the advancement of religion or education.

Section 1.501(c)(3)-1(d)(1) of the Regulations states that an organization is not organized exclusively for one or more of the purposes mentioned in section 501(c)(3) of the Code, unless it serves a public rather than a private interest. It states that to meet this requirement it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests, such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled directly or indirectly by such private interest.

Revenue Ruling 77-366, 1977-2 C. B. 192, holds that an organization which arranges and conducts winter-time ocean cruises during which activities to further religious and educational purposes are provided in addition to extensive social and recreational activities is not operated exclusively for exempt purposes and does not qualify for exemption under Code section 501(c)(3).

In Better Business Bureau v. U.S., 326 U.S. 279 (1945), the Supreme Court stated that the presence of even a single, non-exempt purpose, if more than insubstantial in nature, will defeat exemption under section 501(c)(3) of the Code, regardless of the number or importance of the truly exempt purposes.

On the basis of the information you submitted, we have concluded that you are not operated exclusively for one or more exempt purposes as specified in section 501(c)(3). Your activities and agreements with [REDACTED] and with [REDACTED] indicate that you are serving private rather than public interest. Your annual lease payments for [REDACTED] acres will be paid

[REDACTED]

to the for-profit business, [REDACTED], whose owners are the founders and principal officers of your organization. Additional inurement to [REDACTED] occurs in that all maintenance costs of the [REDACTED] Ranch fence, roads, corrals, spring, buildings, etc., part or all of which are used also by [REDACTED], and also the insurance payments on the property will be borne by [REDACTED]. Furthermore, any buildings constructed by the Society on the leased property will revert to [REDACTED] in the event of a dissolution of the Society. Even if there should be no dissolution, the for-profit recreation company will be able to utilize the improvements built by the Society.

The [REDACTED] lifetime membership fees that will be required of members, in addition to annual dues still to be set, may be construed to represent investment in [REDACTED] with [REDACTED] as conduit, since essentially the same individuals ([REDACTED]) are in control of the of the same land, and facilities will be utilized by both [REDACTED] and [REDACTED]. Any donated labor for the planting of trees and plants, building of a swimming pool, the digging of ponds for fish, water fowl, and game use, etc. by the members can be considered to be the investors' cooperative efforts either to develop and enhance the ranch property as recreational land in order to increase the value of their investment, or to make the ranch land more interesting and desirable for their own recreational use. [REDACTED] would also benefit in that as a result of the ecological improvements made on the property through the efforts of the "members," the land will be more interesting and attractive for [REDACTED]'s customers.

The fact that the membership fee is such a big sum and the fact that a member cannot withdraw from membership without selling his membership fee (less sales commission already paid) to an interested buyer, further supports the stand that the membership fee may be equated to capital investment by stockholders in either a commercial venture or private recreational property in which they have purchased a lifetime right to use. Furthermore the terms of the fund raising contract between [REDACTED] and [REDACTED] is not an arms length type that would be entered into with an unrelated fund raising or public relations firm.

You state that your members may live at home or on the Society's property, but you will make preparations so that all can live there and be self sufficient in five years. Providing your members with food, shelter, and clothing constitutes inurement to the benefit of private individuals. Although your organization may be restoring or improving an ecological environment, and although your organization may be conducting some religious activities, we have concluded that you are operated to more

[REDACTED]

than an insubstantial degree in activities that serve the private interest of your founders and members. Therefore, even if the \$ [REDACTED] membership fee is not a business investment, you are serving the private interests of the members by defraying their personal living expenses and/or providing better recreational opportunities on private land through "lifetime" membership fees.

Accordingly, it is held that you are not entitled to recognition of exemption from Federal income tax under section 501(c)(3) of the Code. You are required to file Federal income tax returns on Form 1120 for each year you have been in existence.

If you accept our findings, you do not need to take further action.

If you do not accept our findings, we recommend that you request a conference with the Office of Regional Director of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at our Regional office or, if you request, at any mutually convenient District office.

If we do not hear from you within 30 days from the date of this letter, this ruling will become final. If you have any questions, please contact the person whose name and telephone number are shown above.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

A copy of this letter is being sent to appropriate State officials in accordance with Internal Revenue Code section 6104(c).

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[REDACTED]

Sincerely yours,

[REDACTED]

District Director

enclosure: Publication 892

cc: [REDACTED]